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MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (ACQUISITION AND
TECHNOLOGY)
PRINCIPAL DEPUTY UNDER SECRETARY OF DEFENSE
(ACQUISITION AND TECHNOLOGY)
DIRECTOR, DEFENSE PROCUREMENT
DEPUTY UNDER SECRETARY OF DEFENSE (ACQUISITION
REFORM)
ASSISTANT SECRETARY OF THE ARMY (RESEARCH,
DEVELOPMENT AND ACQUISITION)
ASSISTANT SECRETARY OF THE NAVY (RESEARCH,
DEVELOPMENT AND ACQUISITION)
ASSISTANT SECRETARY OF THE AIR FORCE
(ACQUISITION)
DIRECTOR, BALLISTIC MISSILE DEFENSE ORGANIZATION

SUBJECT: Single Process Initiative (SPI) Biweekly Activity Report

Forwarded for your review is our biweekly report for the period ending April 25, 1997. The report highlights several areas we are currently emphasizing, such as targeting high potential processes, facilitating supplier involvement, and problems associated with meeting the 120 day goal.

Should you have any questions or concerns regarding information contained in the attached documents, please contact Ms. Marialane Schultz, SPI/Block Change Management Team Leader at (703) 767-2471.

//Signed//
ROBERT W. DREWES
Major General, USAF
Commander

Attachment

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Single Process Initiative
Biweekly Report
April 25, 1997

Introduction

The Block Change Management Team (BCMT) is continually searching for methods of improving SPI effectiveness. This report highlights several areas where we have been focusing our attention involving the Process Targeting Integrated Process Team (IPT), SPI and new procurements, facilitating supplier/subcontractor participation, potential opportunities for facilitating contractor conversion to commercial practices, and more. The report also discusses problems Management Councils are encountering in meeting the 120 day goal.

Workload Statistics

To date, we have received a total of 820 proposed process changes from 171 contractors. This reflects an increase of 28 new processes and 5 new contractors since our last report of 792 and 166, respectively. Additionally, our Administrative Contracting Officers (ACO) have executed 28 new block change modifications, bringing the total processes modified up to 414.

Current Defense Contract Audit Agency (DCAA) and Contract Administration Office (CAO) SPI Cost/Benefit Analysis reports reflect \$102.6 million in estimated annual cost avoidance and approximately \$7 million in negotiated savings to current contracts.

Appendices A, B, and C contain summary information on SPI activity and details on modifications executed during the current reporting period. Appendix D provides details on new contractors participating in the program and new concept papers submitted since our last report. It also provides a list of company name changes resulting from recent acquisitions; SPI activities remain unchanged at these facilities.

Management Councils

In our last biweekly report, we announced the commencement of the "Management Council Quarter." To launch this effort, Major General Drewes conducted an hour long video teleconference (VTC) on April 11, 1997 to discuss the expanded role of Management Councils with Defense Contract Management Command (DCMC) field commanders at 18 sites across the country. During the first half hour, the General gave a briefing which defined his vision for using Management Councils to promote communication and acquisition reform. Mr. Reed, Director, Defense Contract Audit Agency (DCAA), was also on hand to voice his support and assist the General during the second half in answering specific questions sent in from across the Command. A videotape of this VTC will be distributed over the next week to all DCMC field activities. Additionally, highlights from the VTC will be featured in the new Management Council section of the DCMC homepage.

Facilitating Supplier Involvement in SPI

The Aerospace Industries Association (AIA) is establishing a Supplier Management Council (SMC) comprised of its member and associate member companies. The work of the SMC will be accomplished by ad hoc working groups that will be guided and directed by an SMC Executive Committee. The Executive Committee, comprised of 10 members (six prime/subcontractors from AIA constituency and four from the associate supplier base), will be responsible for approving and prioritizing proposed issues for ad hoc groups to review and resolve. AIA anticipates holding its first SMC meeting this summer.

The SMC will focus on many issues including SPI. The DCMC SPI Team had an initial meeting with AIA on April 25 to discuss the council and how the BCMT might work with the SMC Executive Committee in facilitating SPI implementation. AIA is very receptive to utilizing BCMT resources and expertise as they develop this effort. In particular, AIA/SMC is interested in formulating an education and outreach program for subcontractor/supplier SPI issues and to establish consistency in implementation. Establishing a standardized concept paper format for suppliers to use when proposing an SPI process to their prime contractors is one of the first areas that will be explored.

SPI and New Procurements

A newly established working group, comprised of representatives from DCMC, Office of the Secretary of Defense, and the Defense Regulatory Council is drafting a proposed Defense Federal Acquisition Regulation Supplement (DFARS) Case to replace the proposal previously submitted by the BCMT. The purpose of both proposals is to facilitate contractor use of government accepted SPI processes on future procurement actions. A proposed policy memo, awaiting Dr. Kaminski's signature, has been drafted to support the revised DFARS proposal. Both the memo and the proposed DFARS Case will provide, in part, an urgently needed solution to this problem.

Targeting High Potential Processes

The Process Targeting IPT is making progress on its goals of increasing contractor participation and identifying processes that may offer substantial benefits in cost, schedule or performance. The IPT has chosen the Electronics/Communication Sector as the prototype sector. In making this decision, the IPT first agreed on criteria for choosing the prototype sector and collected some preliminary sector level data. The criteria are as follows:

- Future procurement funding for the sector should be growing, not declining.
- The sector has potential for high-payback (i.e., emerging technology, new item development, funding).
- The sector represents a mix of Government and commercial products that are of sufficient interest to all organizations represented on the IPT.
- Contractors within the sector have participated in past and current reform initiatives, and support a performance-based business environment.

The IPT further narrowed its focus to the Navigation/Radar subsector to begin its analysis. IPT members are collecting data on the subsector such as contractors, facility locations, and products and will then proceed to collect process and cost information. The IPT also will gather input from industry associations and from Management Councils within this sector. Finally, industry representatives will be invited to validate the team's preliminary data and conclusions over the next few weeks.

Defense Facility-Wide Program

A team of representatives from the Office of the Under Secretary of Defense for Acquisition Reform (OUSD (AR)), DCAA, and DCMC visited four facilities (Lockheed Martin, Fort Worth; Allied Signal, Phoenix and Kansas City; and Rockwell Collins, Cedar Rapids) to identify existing barriers to complete conversion to commercial practices. Information gathered on the trip will also be used to determine the extent to which DoD could use a regulatory "pilot plant" approach that would eventually be open to all companies. Based on what was learned during the trip, OUSD(AR) intends to propose a regulatory pilot plant program that may include provisions like empowering ACOs at participating facilities to deviate from the Federal Acquisition Regulation (FAR) and DFARS, after appropriate consultation with the joint Management Council. ACOs could issue the block change modifications reflecting changes in regulation as a result of this proposed deviation authority. This proposal is a significant shift from past DoD practice.

One very important observation by the team was Government and industry may not be taking full advantage of existing flexibility to adopt commercial processes. For example, in areas like Truth In Negotiation Act and Cost Accounting Standards (CAS), there is flexibility to use parametric estimating rather than detailed bottom-up estimates, or commercial standard cost accounting systems in lieu of outdated job cost systems. DCMC and DCAA will be working to increase awareness among contractor and government personnel on implementing available improvement opportunities. DCAA is already assisting Rockwell-Collins, Cedar Rapids, to institute a facility-wide standard cost accounting system under SPI. At Allied Signal, Phoenix, DCAA will be providing feedback on streamlined ways for companies with mostly commercial sales to comply with CAS.

Featured Facility: DCMC Dallas-Arlington/Waco--Raytheon E-Systems, Inc., Waco, TX

DCMC Dallas-Arlington/Waco showcases two of Maj Gen Drewes' recent directives--expanding the role of Management Councils and increasing participation in SPI activities by smaller contractor facilities. DCMC Dallas' Management Council was formed in July 1996 and is supported by senior-level management commitment and participation. This include Raytheon's largest customers, the Naval Air Systems Command and Warner-Robins Air Logistics Center. DCMC Dallas-Arlington/Waco supports Raytheon E-Systems, Inc., Waco Operations (formerly Chrysler Technologies Airborne Systems, Inc.), an aircraft modification and systems integration contractor with 1,722 employees, 46% of which are engineering/scientific.

With the recent directive to expand the role of the Management Councils in improving contractor/government operations, Raytheon is in the process of consolidating its Process Oriented Contract Administration Services activity under the jurisdiction of the Council. This is a significant step in increasing operational effectiveness. Also, the Management Council is currently working on several process improvement activities, including production surveillance and reporting and Government exchange of audit results (with the intent of reducing the number of Government reviews performed each year).

In the area of increasing SPI participation, the DCMC Dallas Management Council has completed two block changes and is working two others--one to incorporate the new FAR Clause 52.244-7, Subcontracts for Commercial Items and Commercial Components, and one to substitute National Fire Protection Association standards in lieu of military requirements for fueled aircraft in hangars. Four other concepts

being considered are: local authorization to use Government Furnished Equipment ; use of nonstandard parts; a blanket incorporation of Federal Acquisition Streamlining Act clauses; and replacement of MIL-I-6870 and MIL-STD-410 with commercial standard ANSI-TC-1A, NDTs (Nondestructive Testing System).

Enhancing Awareness/Increasing Involvement

- A DCMC District East (DCMDE) SPI staff member visited Northrop Grumman's St. Augustine and Melbourne facilities from April 7-9, 1997, to assist with resolving issues relating to developing concept papers, identifying Component Team Leaders, and SPI reporting. St. Augustine is preparing its first concept papers and our district representative was there to help them off to a good start. During his meeting with the Management Council, he pointed out that issues in work at Northrop Grumman New York had a direct impact on their facility. As a result, the two sites are going to coordinate their efforts. At the Melbourne site, we learned the Council is using the SPI approved block change list posted on the DCMC homepage to identify targets of opportunity. DCMDE is coordinating with District West, who has cognizance over Northrop Grumman's corporate office, to ensure that this information is shared across the corporation.
- DCMDE provided an SPI briefing to the American Society for Quality Control (ASQC) Long Island 35th Annual Quality Conference on April 9th. As a follow up, DCMDE is providing additional SPI information and potential concept paper examples to the ASQC attendees.
- On April 16, a DCMC SPI team member gave a lunch-hour information brief to employees of AAI Corporation in Hunt Valley, MD. This was at the request of AAI as a part of its ongoing "Best Business Practices Program." AAI Corporation has been very active in SPI, submitting 17 concept papers resulting in eight block change modifications. There continues to be a high level of interest in SPI at AAI, as demonstrated by the record-breaking turnout of more than 60 people. AAI employees showed their enthusiasm in exploring new concept paper topics by the numerous questions at the conclusion of the presentation.
- GTE held its first Management Council meeting on April 21. DCMDE SPI staff were there to help answer questions about SPI, prime/sub relationships, and how to identify candidate processes. This proactive step should help relieve the confusion that has made this contractor reluctant to submit concept papers. GTE is one of the Top 200 DoD corporations and is also one of the Army's top 30 contractors.
- On April 28, 1997, DCMDE attended a Management Council meeting at Allied Signal, Teterboro at the request of the Contract Administration Office Commander. The contractor is expected to submit at least two concept papers. Allied Signal is a Top 200 DoD Corporation that has not yet submitted an SPI proposal. The company has been receptive but reluctant to pursue SPI because of its role as a major subcontractor.

What's Working

We are using VTCs to communicate regularly with our District SPI focal points. The main purpose of these VTCs is to share information, discuss problems, and to ensure we maintain strategic direction. For example, Districts present details on their efforts to increase participation among the Top 200 DoD contractors. They highlight their potential prospects, company visits, and those who have joined the program as a result of those visits. Ideas on how to market SPI effectively are exchanged by the VTC participants. The Districts also report on progress in reducing their top 10 overage concept papers to ensure continual attention completion. Since placing more emphasis on overage concept papers, this number has been reduced by half. We find these biweekly interchanges to be highly effective.

What's Not Working

Management Council efforts to meet the 120 day goal remain an ongoing challenge. Local Councils have aggressively worked to close out concept papers that are older than 120 days, reducing the backlog by 26 percent. However, papers older than 120 days still constitute approximately nine percent of total processes on-hand and our average cycle time remains higher (131 days) than the goal. On April 17, 1997, we conducted a special meeting with Service representatives to review root causes for processing delays. One-third of the papers over 120 days old are awaiting contract administrative action. The remaining two-thirds require technical responses from one or more of the Component Team Leaders, DCAA, and/or DCMC. There are 18 facilities with two or more papers over 120 days old. Delays at these facilities appear to be caused by local Management Council/SPI procedural issues, technical complexity of proposed processes, and too many concept papers submitted simultaneously. We are concentrating our improvement efforts on these 18 facilities.

Concluding Remarks

SPI success continues to build with cost avoidance reported to date at \$102.6 million, a broader base of contractors participating in the program, and steady strides toward reducing agency concept papers. Future effectiveness depends on our agility in resolving implementation barriers quickly. Therefore, we are constantly examining areas where policy and implementation improvements can be made, such as the area of SPI and new procurements. Additionally, better communication is critical to advancing the SPI program in a consistent, effective manner. The biweekly SPI VTCs have enhanced this aspect of more effective program management.

Appendix Index

Appendix A - Executive Summary

Appendix B - Charts

Appendix C - Modifications Completed During Reporting Period

Appendix D - New Contractors & New Company Acquisitions

APPENDIX A

Summary Report as of: Wednesday, April 23, 1997

Contractors Which Have Submitted Concept Papers:	171
Key Customer Notification Complete:	146
Component Team Leaders Identified:	124
Total Concept Papers Received:	742
Concept Papers Withdrawn:	112

**Concept
Papers**

**Proposal
Development:
Concept Paper
(30 Days)**

Concept papers may contain multiple processes

Total Proposed Process Changes:	820
Number Initially Accepted :	740
Not Accepted Within 30 Days of Initial Submission:	29

**Approval Cycle:
Customer
Notification and
Agreement/
Resolution of
Differences
(60 days)**

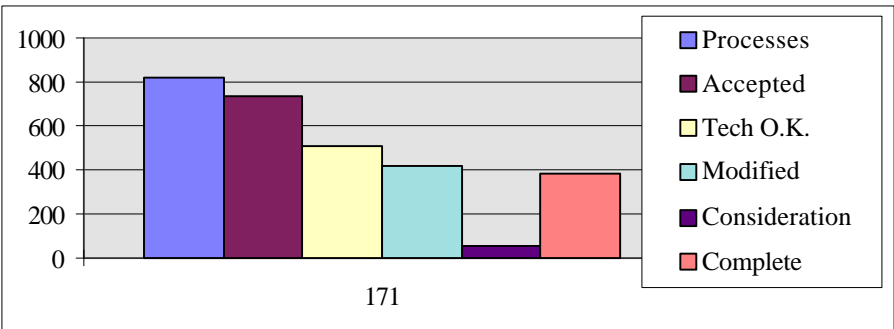
Found Technically Acceptable:					511
Found Unacceptable:					28
<i>Components objecting</i>					
AF	Army	Navy	DLA	DCMC	NASA
12	13	16	3	17	2
Disagreements/Problems Escalated:					1
Not approved within 60 days of Mgt Cncl Acceptance:					71

**Modification
Issuance:
Negotiation of
Consideration
(30 Days)**

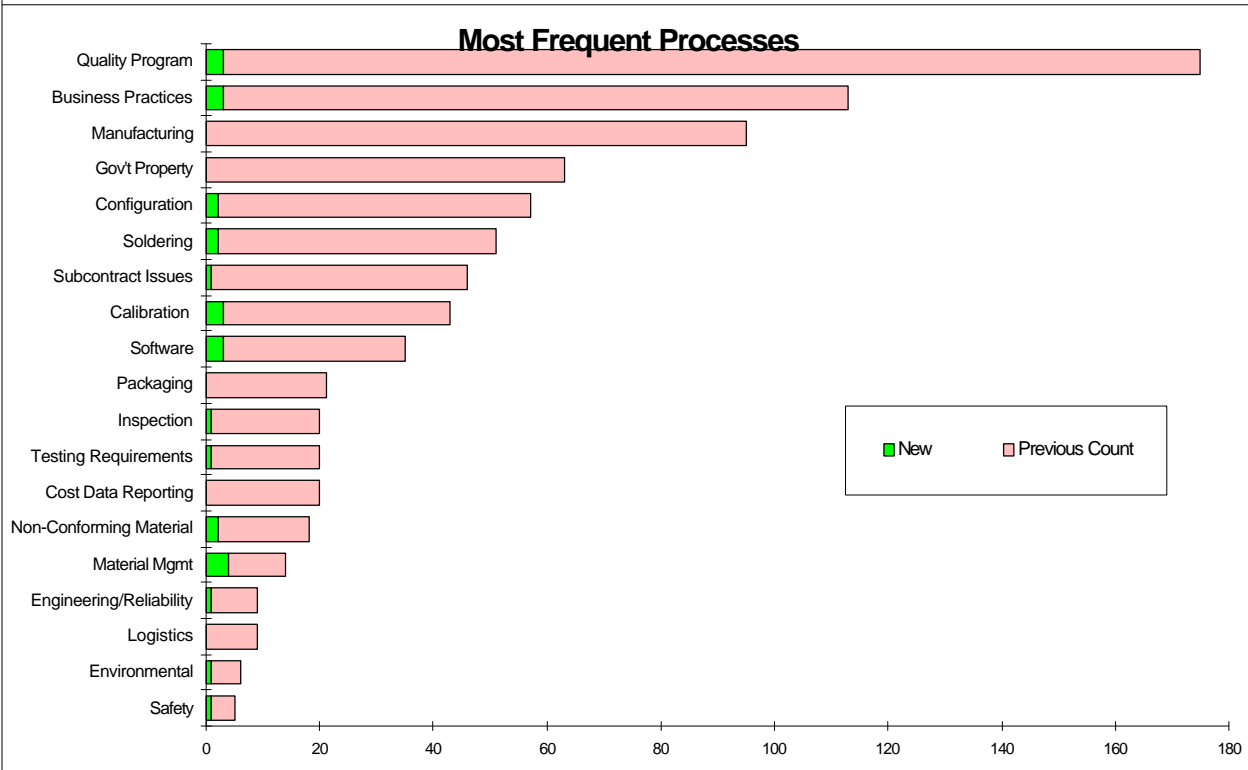
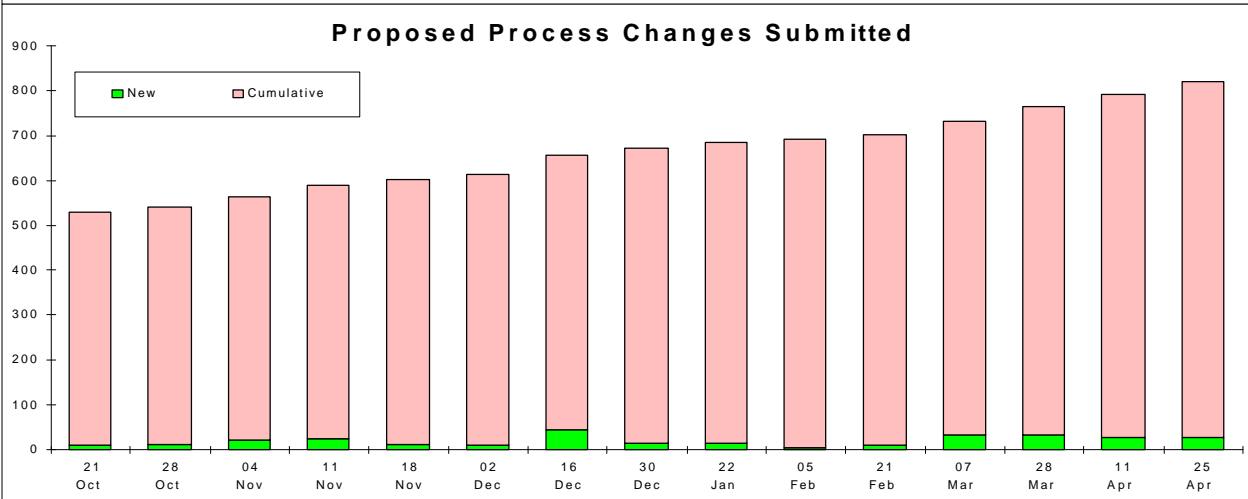
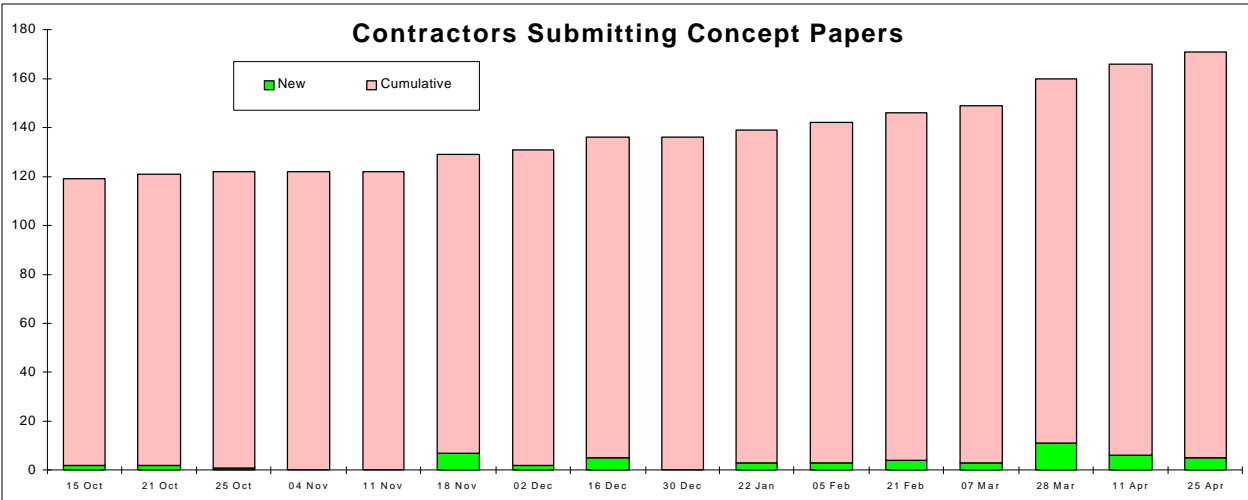
Processes Modified:	414
Not Modified within 30 days after Tech Acceptance:	36
Average Days From Submittal to Mod:	131

Consideration Requested by Government:	56
Cost Proposals Received:	46
Consideration Finalized:	24
All Actions Complete:	382
Currently Active:	266

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APPENDIX B



APPENDIX C

Details on Block Change Modifications Completed During this Reporting Period

<u>Contractor</u>	<u>Old Process</u>	<u>New Process</u>
Boeing N. American, Space Systems Division, Downey, CA	MIL-STD-105E MIL-STD-1521 MIL-STD-1679	ANSI/ASQC Z1.4-1993 Sampling Procedure Computer Software Technical Reviews US/ISO/IEC-12207, Software Development
B.F. Goodrich Aerospace, Vergennes, VT	MIL-Q-9858A, MIL-I-45208A	ISO-9001 based Quality System
Cubic Defense, San Diego, CA	MIL-Q-9858/45208, MIL-STD-45662/1535/1520	ISO 9001 based Quality System
Engineering Air Systems, Inc., St. Louis, MO	TT-C-490, AF Drawing 7545352	Material Cleaning Methods
Landmark Manufacturing, Gallatin, MO	MIL-Q-9858, MIL-I-45208	ISO-9002 based Quality System
Litton Data Systems Division, Agoura Hills, CA	MIL-STD-965	Litton Parts Control program
Litton Electro-Optical Devices, Tempe, AZ	MIL-STD-45662 MIL-STD-105 Sampling	ANSI/Z540-1, Calibration ANSI Z1.4-1993 based Sampling System
Litton Electro-Optical Systems Division, Garland, TX	MIL-STD-45662 MIL-Q-9858 MIL-STD-2000A/454 MIL-STD-105 Sampling	ANSI Z540-1 Calibration standard ISO-9001 based Quality System ANSI/J-STD-001 Class II ANSI Z1.4-1993 Sampling
Lockheed Martin Astronautics, Denver, CO	MIL-STD-785, 1543, NHB 5300.4 MIL-STD-480, Configuration Management	KTR's System Engineering Handbook ISO-10007, EIA-IS-649, Contractor procedures
Lockheed Martin Tactical Aircraft Systems, Ft. Worth, TX	Subcontract Flow Down Requirements	Subcontractor SPI Enabling Provision--Relief of Flow Down Reqmts Inconsistent w/Approved SPI
McDonnell Douglas Corporation, St. Louis, MO	Various FAR, DFAR, and other statutory Certification Requirements	Comprehensive Representation and Certification (central file)
Northrop Grumman Electronics Warfare Systems, Rolling Meadows, IL	MIL-STD-454/2000/2000A/WS-6536	ANSI/J-STD-001 Industry Soldering Standard

Details on Block Change Modifications Completed During this Reporting Period (Cont)

<u>Contractor</u>	<u>Old Process</u>	<u>New Process</u>
Northrop Grumman MASD, Hawthorne, CA	MIL-STD-1520 Non Conforming Material MIL-STD-45662	Elimination of MIL-STD-1520 KTRs internal Calibration procedures
Rockwell - Collins Avionics & Communications, Cedar Rapids, IA	MIL-STD-973/483/1521 Config Mgmt	EIA/IS-649
Santa Barbara Research Center, Goleta, CA	Govt Soldering Standards	ANSI/J-STD-001A Industry Soldering Std
Syndetix, Inc., Las Cruces, NM	Contractor Billing Requirements	Submit billing vouchers direct to DFAS
Technical Solutions, Mesilla Park, NM	Contractor Billing Requirements	Submit billing vouchers direct to DFAS
TRW Space and Electronics Group (S&EG), Redondo Beach, CA	MIL-STD-45662 & NHB 5300.4 MIL-STD-1546/1547/975/965/454, Parts Procurement STDs MIL-Q-9858, MIL-I-45208, MIL-S-52779A, SAMSO-STD-73-5B	ISO-9001, ANSI/NCSL Z540-1 Metrology /Calibration System Contractor's Parts Material & Processes Mgmt System, DD24287 ISO-9001 based Quality Oversight System
United Technologies - Chemical Systems Div., San Jose, CA	MIL-STD-1535/45662/1520, MIL-Q-9858, MIL-I-45208	ISO-9000 based Quality System

APPENDIX D

Details on New Contractors During this Reporting Period

<u>Contractor</u>	<u>Old Process</u>	<u>New Process</u>
Carver Pump Company, Muscatine, IA	MIL-Q-9858A, MIL-I-45208	ISO-9001 based Quality System
C J Machine Inc., San Antonio, TX	MIL-I/STD-45208A/-1535/-1520/-100/-973 MIL-STD-45662	ISO-9002 based Quality System ISO-9002 based Calibration System
Honeywell Military Avionics, Minneapolis, MN	MIL-STD-454/-2000A, MIL-S-45743E	J-STD-001 Soldering Process
Raytheon E-Systems, Goleta, CA	MIL-Q-9858 MIL-I-45208 DOD-STD-1679/-2167A, MIL-STD-498 MIL-STD-1520 Non Conforming Material MIL-STD-45662 MIL-STD-2000/-454 Various MIL-SPEC Engineering Drawing Reqmts	ISO-9001 based Quality System Model ISO-9001 based Inspection System Model ISO-9001 based Software Dev. Model ISO-9001 based Quality System Model ANSI/NCSL-Z540-1 Calibration System ANSI/J-STD-001B, Class 3 Soldering Contractor Quality Control Procedures
RDL Inc., Conshohocken, PA	MIL-Q-9858, MIL-I-45208 MIL-STD-45662	ISO-9002 based Quality System ANSI/NCSL-Z540-1 Calibration System